



# HAWAII STATE ENERGY OFFICE STATE OF HAWAII

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Testimony of  
**SCOTT J. GLENN, Chief Energy Officer**

before the  
**HOUSE COMMITTEE ON GOVERNMENT REFORM**

Wednesday, March 17, 2021  
10:00 AM

Via videoconference, State Capitol, Conference Room 309

In SUPPORT of  
**SB 1391, SD2**  
**RELATING TO PROCUREMENT.**

Chair Dela Cruz, Vice Chair Keith-Agaran, and Members of the Committee, the Hawaii State Energy Office (HSEO) supports SB 1391, SD2, which authorizes the Procurement Policy Board to adopt rules relating to life-cycle cost analysis on or before December 31, 2021.

Currently, the revised definition of life-cycle cost analysis in this measure reflects the Hawaii Revised Statutes (HRS) Section 196-11, which defines life-cycle costs to mean “the sum of the present values of investment costs, capital costs, installation costs, energy costs, operating costs, maintenance costs, and disposal costs over the life of the project, product, or measure.”

However, since the enactment of the life-cycle cost definition in HRS §196-11, the Legislature has established the zero emission clean economy target in HRS §225P-5, which directs the state to “to sequester more atmospheric carbon and greenhouse gases than emitted within the State as quickly as practicable, but no later than 2045.”

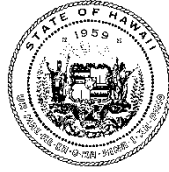
Also, the State Supreme Court recently ruled that the Public Utilities Commission must consider life-cycle greenhouse gas emissions in its decision making under HRS §269-6. Given this target and the increasing role life-cycle analysis has in government decision making, HSEO respectfully recommends the Legislature consider integrating

the consideration of greenhouse gas emissions into life-cycle cost analysis. This could be done through amending the definition or other means.

HSEO observes that the language in SB1391, SD2, stating that “On or before December 31, 2021, the procurement policy board may adopt...” could bring into question whether such rules could also be adopted *after* December 31, 2021; if the Committee agrees, removing the deadline may be one way to avoid unintentionally constraining future adoptions or revisions.

HSEO understands that the Procurement Policy Board falls under the purview of the State Procurement Office and looks forward to collaborating with and assisting them on this measure. HSEO defers to the State Procurement Office on the feasibility of completing the required rules within the calendar year.

Thank you for the opportunity to testify.



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TESTIMONY  
OF  
BONNIE KAHAKUI, ACTING ADMINISTRATOR  
STATE PROCUREMENT OFFICE

TO THE HOUSE COMMITTEE  
ON  
GOVERNMENT REFORM  
March 17, 2021; 10:00 a.m.

SENATE BILL 1391, SD2  
RELATING TO PROCUREMENT

Chair McKelvey, Vice Chair Wildberger and members of the committee, thank you for the opportunity to submit testimony on SB1391, SD2. The State Procurement Office (SPO) offers the following comments and recommendation.

Chapter 103D, Hawaii Revised Statutes (HRS), Hawaii Public Procurement Code (Code), is the single source of public procurement policy to be applied equally and uniformly, while providing fairness, open competition, a level playing field, government disclosure, and transparency in the procurement and contracting process vital to good government. During the planning stages of a procurement, the Procurement Officer has the responsibility to determine if life-cycle costs should be considered, especially when it is expected that offers will include items that have substantially different operations, support, and disposal costs.

Source selection consideration can be appropriate for an item as simple as an automobile tire or as complex a major weapon system. For more complex systems, planning should also address:

- Factors with significant effect on life-cycle cost results and implement tradeoff studies to evaluate alternative actions which could reduce costs related to those factors.
- Life-cycle costs in product design.
- Contract commitments (when appropriate) that will affect control of life-cycle cost results.

Life cycle costing should be addressed case by case by the Procurement Officer. Once determined that that life cycle costs will be considered in the evaluation of offer, the solicitation would be prepared appropriately.

Solicitation Requirements: If it is the intent to consider life cycle costs in offer evaluation, the solicitation must:

- Advise prospective offerors how life cycle costs will be considered in making the contract award decision.
  - Award may be made based on lowest evaluated cost, including life-cycle costs, or life-cycle costs may be considered as a factor in an award decision that also considers other characteristics of the item or system.
  - When life-cycle costs continue over a period of years, solicitations will often provide for adjustments to consider one or more of the following:
    - Time value of money.
    - Cost uncertainty.
    - Inflation.
- Require offerors to estimate key elements of life cycle cost. To estimate preparation, the solicitation must provide relevant information (e.g., projected item usage, operating environment, and the operating period that will be considered in offer evaluation).
- Require offerors to provide relevant cost estimates along with appropriate information to support life-cycle cost estimates.
  - Estimate requirements typically include elements such as:
    - Average unit price, including (when appropriate) recurring and nonrecurring production costs.
    - Unit operating and support costs (e.g., manpower, energy, and parts requirements).
    - Unit disposal costs (e.g., the cost of removing equipment from the Government facility).
    - Unit salvage or residual value.
    - Related information should provide estimate support production costs (e.g., test or operational data).

This bill proposes that the procurement policy board is authorized to adopt specific rules relating to life cycle cost analysis. Pursuant to Hawaii Revised Statutes, Section 103D-202 Authority and duties of the policy board, the Procurement Policy Board (PPB) shall have the authority and responsibility to adopt rules consistent with chapter 103D. All rules shall be adopted in accordance with chapter 91. And the PPB shall consider and decide matters of policy within the scope of chapter 103D, including those referred to by a chief procurement officer (CPO).

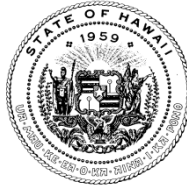
For rules to be established, the following shall occur:

- Allow for interested persons an opportunity to submit data, views, arguments, or present oral testimony on any agenda in an open meeting.
- Validate and prepare written guidance to fulfill the requirements of the law.
- Preparation and Publication of Rules – requires \$5,000 for public notification.
- Rules must be prepared, surveys sent, discussions facilitated and published. – requires \$4,000 for public notification.

In addition to the funding requirements, time is required to verify and implement rules and to develop training.

Thank you.

DAVID Y. IGE  
GOVERNOR



TESTIMONY BY:

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March 17, 2021  
10:00 A.M.  
State Capitol, Teleconference

**S.B. 1391, S.D. 2  
RELATING TO PROCUREMENT**

House Committee on Government Reform

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The Department of Transportation (DOT) **opposes** the bill authorizing the procurement policy board to adopt specific rules relating to life-cycle cost analysis by 12/31/2021; as necessary, amend rules to provide standards and procedures for the effective consideration of expected operation, maintenance, disposal, and any other directly-induced costs; and ensure modifications to contracts or specifications for procurements, including value engineering provisions in accordance with section 103D-411 do not result in net increases to the total costs, including immediate or future operating, maintenance, disposal, or any other directly-induced costs associated with procured goods, services, or construction to the State or counties.

The following is an example of the adverse impact of this bill:

If DOT is required to consider life-cycle costs in material selection, concrete pavement will be predominantly selected. Concrete is approximately 50% to 100% more expensive than Asphalt Concrete (AC), although it performs much longer (estimated 2-3 times longer than AC).

It would be impractical for DOT to use concrete exclusively to pave Hawaii's roads for the following reasons:

- First, DOT would not be able to provide the quality and required upkeep and maintenance of the State's roads due to the cost increase of concrete as compared to AC. Also, due to the lack of maintenance, the pavement conditions would deteriorate on a continuous basis, which would then prevent DOT from meeting the MAP 21 pavement performance targets, and ultimately result in penalties assessed to DOT.

- Second, concrete paving requires longer curing time (usually seven days) in order to allow the concrete to gain sufficient strength to withstand and support live traffic. This longer duration of time to cure will adversely impact the community and contribute significant inconvenience to already busy streets and highways.
- Third, driving on concrete pavement is noisier than driving on AC pavement. The concrete pavement would create substantially more noise, which would directly affect residents living close to State roads and create additional concerns and issues to overall quality of life.
- Finally, specifying concrete paving will have a significant adverse impact to the asphalt paving industry in Hawaii.

Thank you for the opportunity to provide testimony.

**SB-1391-SD-2**

Submitted on: 3/17/2021 8:52:41 AM

Testimony for GVR on 3/17/2021 10:00:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Gail Suzuki-Jones	Individual	Support	No

Comments:

Representing HSEO

**SB-1391-SD-2**

Submitted on: 3/14/2021 9:36:45 PM

Testimony for GVR on 3/17/2021 10:00:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Ruta Jordans	Individual	Support	No

Comments:

Watching a webinar on [Rethinking Recycling - by the Northeast Recycling Council](#) (NERC), David Allaway, policy analyst in the Solid Waste Program of the Oregon Department of Environmental Quality, described how they did life-cycle analysis of products, and the difference it showed in energy use over the product's lifetime. Eyeopening! And very worthwhile. Good for Hawaii's economy and our environment. Please support this bill.

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